

SECRET

PROJECT APPROVAL NOTIFICATION

PROJECT AERODYNAMIC		<input checked="" type="checkbox"/> CA	<input type="checkbox"/> PROPRIETARY
		<input type="checkbox"/> FI/CI	<input type="checkbox"/> SUBSIDY
			<input type="checkbox"/> DIRECT
ACTION		AREA	
	NEW PROJECT	DIVISION	
X	AMENDMENT No. 1 (FY 1970)	SB	
	RENEWAL	BRANCH	
	TERMINATION	SB/PO/M	
	EXTENSION	DESK	
	OTHER	CASE OFFICER	EXTENSION
		5	5877
AUTHORIZATION			
APPROVING AUTHORITY		TOTAL AMOUNT APPROVED	FY
ADD/P			1970
13 August 1970		\$ [1 *	196
PERIOD OF APPROVAL		FINANCIAL CODE SYMBOL	
FROM 1 July 1969 TO 30 June 1970		0134-0612	

CONDITIONS OF APPROVAL

*Amendment No. 1 to Project AERODYNAMIC approved in the amount of \$[1], increasing the project's authorization from \$[] to \$[] for FY 1970.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHODSEXEMPTION 3B2G
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

SIGNATURE		DATE
(Signed) []		14 AUG 1970
DISTRIBUTION		
1	FINANCE DIVISION	1
1	BUDGET DIVISION	1
1	OPERATING DIVISION CHIEF OF SUPPORT	1
2	CASE OFFICER	2
	MPS/BG	

FORM 6-66 849

US. PREVIOUS EDITIONS.

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GROUP 1
EXCLUDED FROM AUTOMATIC DOWNGRADING
AND DECLASSIFICATION

(5)

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CA/PEG PROJECT DATA SHEET

Date 29 July 1970

Div/Br/Desk	Country	Type of Action	Function	Project Cryptonym
SB/CA	USSR	FY 70 Amend. # 1	Propaganda	AERODYNAMIC

1. Funds	Programmed	Requested	Approved	Obligated
FY 1970		\$ [] *	\$ []	\$ []
FY 1971	\$ []	\$ []	\$ []	(31 March 70)
FY 1972	\$ []			

*Funds are available from within SB Division budget.

2. Description of Activity:

Project AERODYNAMIC is the principal vehicle through which SB Division conducts its operations against the Ukrainian Soviet Socialist Republic. The main purpose of the project is to exploit contacts with Soviet Ukrainian citizens in order to encourage national and intellectual unrest in the Ukrainian SSR, thus encouraging cultural and intellectual freedom for Soviet citizens. CIA has been in contact with the ZP/UHVR (Foreign Representation of the Ukrainian Supreme Liberation Council) since 1950. Anti-Soviet propaganda activities were begun from New York by a panel of the ZP/UHVR in 1953. As of 1968, all activities and all publications, with the exception of the Information Bulletin, originated in Europe. The Prolog Research Corporation of New York, N.Y. conducts the research, writing and contact operations of the project.

3. Funding:

Effective July 1969, a new funding procedure was accomplished by the creation of two notionals - [] and []

Funds for the New York Prolog office are passed via Denver and Los Angeles and receipts are furnished Prolog showing fund origin to backstop questioning by New York

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fiscal authorities. Funding of the Munich branch of Prolog will continue via [] bank transfers; however, the account is not in the name of Prolog. To further reduce security hazards, the \$[] contingency fund held in the Prolog [] account was liquidated early 1970. Even with this device, it is estimated that some Munich personnel are witting of U.S. Government involvement, and some others may suspect such involvement.

4. Interagency Coordination and Approval:

Ambassador McGhee in Germany approved on 17 November 1967. The 303 Committee on 1 December 1967 (a) approved continuation of CIA's relationship to Prolog subject to annual review of Prolog's value and effectiveness; (b) approved the merger of Prolog's activities with Suchasnist in Munich, and the continued residence of certain Prolog personnel in the United States; (c) took note of the fact that Prolog publications will continue to find a limited market in the United States. Deputy Assistant Secretary of State briefed in November 1967. ZP/UHVR collaborators who contact Soviet diplomatic and United Nations personnel are either advised to report their contacts to the FBI or the contact is coordinated with the FBI through the project case officer.

On 27 December 1968 the 303 Committee again approved. More recently, Deputy Assistant Secretary of State Emory C. SWANK endorsed the activity on 6 November 1969; and the 303 Committee reaffirmed its policy endorsement of the project on 23 December 1969.

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CA/PEG PROJECT EVALUATIONDate 29 July 1970

	Initials	Date	Initials	Date
1. DC/CA/PEG	W/CN	24 July		
2. C/CA/PEG	PF	29 July	5. MPS/BG/CA	
3.			6. ADDP	
4.			7.	

PEG Eval. Officer <input checked="" type="checkbox"/>
Date Received 13 July 70
Date Due in MPS/BG/CA 17 July 70

COMMENT:

1. This amendment is for money owed by the Prolog corporation to its employees' pension fund; the sum is carried as a liability on corporation records. It is not possible for Prolog to liquidate the liability since it has little working capital (or cash resources) and CIA subsidy payments meet only minimum needs. The deficiency in working capital has evolved as a result of poor fiscal reporting procedures dating back to 1968. The weakness in the fiscal procedures were not readily apparent to SB Division and therefore they were not corrected in time. Steps have now been taken to avoid the recurrence of similar deficits and to correct and improve the reporting practices. Also, SB Division has instituted a new and improved quarterly budgetary reporting method and has arranged to provide professional guidance for the administration of the Prolog pension fund. In addition, SB Division is consulting with the Office of Personnel for the management of the trust fund.

2. CCS/PRG concurs in the amendment request without comment.

3. Recommend approval.

Div/Br/Desk	Country	Type of Action	Function	Project Cryptonym
SB/CA	USSR	FY 70 Amend. # 1	Propaganda	AERODYNAMIC
ADDP Action:		Amount		

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(When Filled In)

PROJECT ACTION

PROJECT CRYPTONYM
AERODYNAMIC

	TYPE OF ACTION	FI/C	XX	CA		
	NEW PROJECT APPROVAL	DIVISION Soviet Bloc				
	AMENDMENT NO. 1 (FY 70)	FIELD STATION				
	RENEWAL FY 19	BRANCH SB/PO/M		DESK		
	EXTENSION	CASE OFFICER L		DATE 25 June 1970		
	TERMINATION	ROOM NO. 4D30	BUILDING HQS	TEL. EXT.	RED 9078	BLACK 5877

CONCURRENCES OF DIVISIONS

ORGANIZATIONAL ELEMENT	TYPED NAME (and signature)	DATES		MEMO ATTACHED	
		IN	OUT	YES	NO
CSB/PO/M	L	29.6.70	29.6.70		-
DC/SB/POS	L	29 June 70	29 June 70		✓
CSB/POS	L	29 June 70	29 June 70		
CSB/BF	L	29 June	29 June 70	✓	
CSB/SS	L	29 JUN 1970	29 JUN 1970		✓
SB/PPC	L	29 Jun 70	29 Jun 70		✓
DC/SB	L	2/7/70			✓
C/SB	L	6/7/70	6/7/70		✓

CONCURRENCES OF OTHER COMPONENTS

(Type in Organizational Element and Name Below Only When Concurrence Obtained by Originating Element.)

		DATES		MEMO ATTACHED	
		IN	OUT	YES	NO
C/EUR/CA	L	6/8/70	6/9/70		✓
C/MPS/BG	L		11 Aug 70		
C/ MPS/BG/CA	L		11 Aug 70		
C/CA/PEG	L	13 JUL 1970	29 July 70		
C/CCS/PRG	(Signed) L	14 Jul 70	17 Jul 70		X

ALL FUTURE ACTIONS ON THIS PROJECT REQUIRE APPROVAL OF DD/P OR ADD/P

APPROVAL

FROM 1 July 1969	TO 30 June 1970	AMT THIS ACTION \$ L	FY 19	TOTAL FUNDS AUTHORIZATION \$ 210,358	
			1970		
APPROVING AUTHORITY ADDP		SIGNATURE L	DATE 13 Aug 70		

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PROJECT AMENDMENT - FY 1970

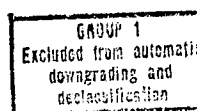
It is requested that Project AERODYNAMIC be amended for FY 1970 in the amount of \$[redacted] to cover an operating deficit in AETENURE (Prolog Corporation). FY 1970 funds in this amount are available in the SB Division operating program.

The deficit of \$[redacted] represents the amount owed by Prolog Corporation to its employees' pension fund and is carried as liability on the Corporation records. Prolog is unable to liquidate this liability by payment from cash resources; there is a deficiency in working capital, and the CIA subsidy payments meet only the minimum needs of the AERODYNAMIC program.

The deficiency in working capital has evolved because Prolog officials and SB Division project management were unable to recognize from the complicated project fiscal reporting, involving both the Munich and New York organizations, that the rate of expenditures had been exceeding income since 1968.

Stricter SB Division operational and fiscal control of the budgetary and fiscal procedures of Prolog Corporation have been initiated. This includes a quarterly financial review and reconciliation of all fiscal reports to insure that the rates of expenditure are consistent with the subsidy scheduling, and that accounts payable and other liabilities do not accrue for long periods of time and in unrealistic amounts. Prolog officials will be admonished that if their organization is to continue to qualify for further Agency subsidy, such deficits must not occur again.

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Attached to this request for project amendment are excerpts from the Audit Staff report: paragraph 5 concerning the organizational deficit, and paragraph 6 concerning the need for professional guidance for the administration of the Prolog employees' pension fund. SB will consult with the Office of Personnel concerning the provision of pension plan guidance to Prolog.

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EXCERPT - - Report of Audit

5. The project records as of 31 December 1969 reflect a liability to the employees pension trust in the amount of \$C. , yet their cash position at that date was only \$C 7. It appears the cover company has been using cash that should have gone to the employees pension trust for other project expenses. The payment of this liability without special funding will reduce the funds available for project expenses during the forthcoming year but provision should be made for its liquidation.

Recommendation: We recommend that SB Division closely monitor the cash position and the expenditures of the cover company to prevent future overexpenditures of funds. We further recommend that the liability of \$10,358 be liquidated from the project records by transferring the funds to the trust so as to present a better financial position on the financial statements of the project. In the future the funds should be transferred to the trust on a regular basis.

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EXCERPT ----- Report of Audit

6. The employees pension fund as of 31 December 1969 reflects an unrealized loss of \$[redacted] on the \$[redacted] that has been invested since 1961 and a \$[redacted] receivable from the project. We feel more professional guidance is needed for the trust which is managed by the employees. Evidence of this is the \$[redacted] receivable which the trust allowed to accumulate without investing it in an income producing bank account or treasury note and the unrealized loss of \$[redacted] in the trust after almost nine years of operation. We do not feel that the trust will adequately provide for the employees that are approaching retirement age. The trust as it is now operated will probably provide lump sum payments upon retirement whereas investments providing a monthly income upon retirement might be more suitable.

Recommendation: We recommend that SB Division seek advice from the Office of Personnel in managing the trust fund.

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